



Expiration Date: Until Withdrawn

DEPARTMENT OF MANAGED HEALTH CARE
980 Ninth Street, Suite 500
Sacramento, CA 95814

August 1, 2003

DEPARTMENT ADVICE NO. 03-06

TOPIC: Cancellation of Enrollment

The Department issued the following Advice in September 2002 based upon the clear language of Section 1365 of the Knox-Keene Act. Subsequent to issuance, Department representatives have met with representatives of health plans on several occasions to review issues that the health plans have raised regarding this Advice. After careful consideration of these issues, the Department has concluded that there is no statutory basis for altering this Advice. The Department, therefore, reaffirms the Advice contained below. This Advice applies to all individual and group contracts and EOCs, except as otherwise determined by the Department.

Subject Matter:

The Department's HMO Help Center has received complaints from enrollees who have had their group benefits cancelled retroactively. Such retroactive cancellation can create a gap in coverage and seriously interfere with or hamper an enrollee's rights to continuation of benefits under state and federal laws. Additionally, retroactive cancellation can leave the enrollee subject to being billed directly by providers for health care services that had been authorized by the health plan and rendered to the enrollee subsequent to the retroactive cancellation date. Health and Safety Code section 1365(a)(1) requires 15 days notice to the subscriber prior to cancellation of coverage. The statute does not authorize retroactive cancellation. California Code of Regulations, Title 28, section 1300.65 (b) sets the standard that notices of cancellation be promptly mailed to affected enrollees. Thus, the Knox Keene Act on its implementing regulations require *prompt, prior* notification of cancellation, and retroactive cancellation is prohibited.

Action:

Health plans licensed pursuant to the Knox Keene Act must ensure that enrollees receive prompt prior written notification of cancellation of enrollment at least 15 days prior to the effective date of the cancellation of coverage. Plans may comply with the notice requirement by delivering

notice directly to enrollees or by confirming that prompt notice has been delivered by the group subscriber

Further information:

Authority: Health and Safety Code section 1365; Title 28 California Code of Regulations section 1300.65.